

House File 2173 - Introduced

HOUSE FILE 2173

BY S. OLSON

A BILL FOR

1 An Act concerning alcoholic beverage control, by
2 allowing micro-distilled spirits manufacturers to
3 sell micro-distilled spirits at retail for on-site
4 consumption and concerning dramshop liability insurance, and
5 establishing fees.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 123.28, Code 2014, is amended to read as
2 follows:

3 **123.28 Restrictions on transportation.**

4 It is lawful to transport, carry, or convey alcoholic
5 liquors from the place of purchase by the division to a state
6 warehouse or depot established by the division or from one such
7 place to another and, when so permitted by this chapter, it
8 is lawful for the division, a common carrier, or other person
9 to transport, carry, or convey alcoholic liquor sold from a
10 state warehouse, depot, or point of purchase by the state to
11 any place to which the liquor may be lawfully delivered under
12 this chapter. The division shall deliver alcoholic liquor
13 purchased by class "E" liquor control licensees. Class "E"
14 liquor control licensees may deliver alcoholic liquor purchased
15 by class "A", "B", or "C" liquor control licensees and class
16 "C" micro-distilled spirits permittees, and class "A", "B", or
17 "C" liquor control licensees may transport alcoholic liquor
18 purchased from class "E" liquor control licensees. A common
19 carrier or other person shall not break or open or allow to be
20 broken or opened a container or package containing alcoholic
21 liquor or use or drink or allow to be used or drunk any
22 alcoholic liquor while it is being transported or conveyed,
23 but this section does not prohibit a private person from
24 transporting individual bottles or containers of alcoholic
25 liquor exempted pursuant to section 123.22 and individual
26 bottles or containers bearing the identifying mark prescribed
27 in section 123.26 which have been opened previous to the
28 commencement of the transportation. This section does not
29 affect the right of a special permit or liquor control license
30 holder to purchase, possess, or transport alcoholic liquors
31 subject to this chapter.

32 Sec. 2. Section 123.32, subsection 1, Code 2014, is amended
33 to read as follows:

34 1. *Filing of application.* An application for a class "A",
35 class "B", class "C", or class "E" liquor control license, for

1 a class "A" micro-distilled spirits permit, for a class "C"
 2 micro-distilled spirits permit, for a retail beer permit as
 3 provided in sections 123.128 and 123.129, or for a class "B",
 4 class "B" native, or class "C" native retail wine permit as
 5 provided in section 123.178, 123.178A, or 123.178B, accompanied
 6 by the necessary fee and bond, if required, shall be filed with
 7 the appropriate city council if the premises for which the
 8 license or permit is sought are located within the corporate
 9 limits of a city, or with the board of supervisors if the
 10 premises for which the license or permit is sought are located
 11 outside the corporate limits of a city. An application for
 12 a class "D" liquor control license and for a class "A" beer
 13 or class "A" wine permit, accompanied by the necessary fee
 14 and bond, if required, shall be submitted to the division
 15 electronically, or in a manner prescribed by the administrator,
 16 which shall proceed in the same manner as in the case of an
 17 application approved by local authorities.

18 Sec. 3. Section 123.33, Code 2014, is amended to read as
 19 follows:

20 **123.33 Records.**

21 Every holder of a liquor control license or a class "C"
 22 micro-distilled spirits permit shall keep a daily record, in
 23 printed or electronic format, of the gross receipts of the
 24 holder's business. The records required and the premises of
 25 the licensee or permittee shall be accessible and open to
 26 inspection pursuant to section 123.30, subsection 1, during
 27 normal business hours of the licensee or permittee.

28 Sec. 4. Section 123.43A, subsection 2, Code 2014, is amended
 29 to read as follows:

30 2. A micro-distillery shall not sell more than ~~one and~~
 31 ~~one-half~~ nine liters per person per day, of micro-distilled
 32 spirits on the premises of the micro-distillery. In addition,
 33 a micro-distillery shall not directly ship micro-distilled
 34 spirits for sale at retail. The micro-distillery shall
 35 maintain records of individual purchases of micro-distilled

1 spirits at the micro-distillery for three years.

2 Sec. 5. Section 123.43A, Code 2014, is amended by adding the
3 following new subsection:

4 NEW SUBSECTION. 4A. Notwithstanding any other provision of
5 this chapter, a person engaged in the business of manufacturing
6 micro-distilled spirits may sell micro-distilled spirits at
7 retail for consumption on the premises of the manufacturing
8 facility by applying for a class "C" micro-distilled spirits
9 permit with the authority as provided in section 123.43B. A
10 manufacturer of micro-distilled spirits may be granted not more
11 than one class "C" micro-distilled spirits permit.

12 Sec. 6. Section 123.43A, subsection 6, Code 2014, is amended
13 to read as follows:

14 6. The division shall issue no more than three permits under
15 this section to a person. In addition, a micro-distillery
16 issued a permit under this section shall file with the
17 division, on or before the fifteenth day of each calendar
18 month, all documents filed by the micro-distillery with the
19 alcohol and tobacco tax and trade bureau of the United States
20 department of the treasury, including all production, storage,
21 and processing reports.

22 Sec. 7. Section 123.43A, subsection 7, Code 2014, is amended
23 by striking the subsection and inserting in lieu thereof the
24 following:

25 7. A micro-distillery may sell the micro-distilled spirits
26 it manufactures at wholesale to customers outside the state.

27 Sec. 8. NEW SECTION. 123.43B **Authority under class "C"**
28 **micro-distilled spirits permit.**

29 1. A person holding a class "C" micro-distilled spirits
30 permit for the same location at which the person holds a class
31 "A" micro-distilled spirits permit may sell its micro-distilled
32 spirits only at retail to patrons by the individual drink for
33 consumption on the licensed premises where it was manufactured.

34 2. A person holding a class "C" micro-distilled spirits
35 permit shall purchase micro-distilled spirits it manufactures

1 from a class "E" liquor control licensee only.

2 3. A class "C" micro-distilled spirits permit for a
3 micro-distillery shall be issued and renewed annually upon
4 payment of a fee of two hundred fifty dollars.

5 Sec. 9. NEW SECTION. 123.43C Class "C" micro-distilled
6 spirits permit — application contents.

7 Except as otherwise provided in this chapter, a class "C"
8 micro-distilled spirits permit shall be issued to a person who
9 complies with all of the following:

10 1. Submits electronically, or in a manner prescribed by the
11 administrator, an application for the permit and states on the
12 application under oath:

13 a. The name and place of residence of the applicant and
14 the length of time the applicant has lived at the place of
15 residence.

16 b. That the applicant is a citizen of the state of Iowa,
17 or if a corporation, that the applicant is authorized to do
18 business in Iowa.

19 c. The location of the class "A" micro-distillery where the
20 applicant intends to use the permit.

21 d. The name of the owner of the premises, and if that owner
22 is not the applicant, that the applicant is the actual lessee
23 of the premises.

24 2. Establishes all of the following:

25 a. That the applicant meets the test of good moral character
26 as provided in section 123.3, subsection 34.

27 b. That the premises for which the permit is sought is and
28 will continue to be equipped with sufficient tables and seats
29 to accommodate twenty-five persons at one time, and in areas
30 where such business is permitted by any valid zoning ordinance
31 or will be so permitted on the effective date of the permit.

32 c. Consents to inspection as required in section 123.30,
33 subsection 1.

34 Sec. 10. Section 123.92, subsection 2, paragraph a, Code
35 2014, is amended to read as follows:

1 a. Every liquor control licensee and, class "B" beer
2 permittee, class "C" native wine permittee, and class
3 "C" micro-distilled spirits permittee, except a class "E"
4 liquor control licensee, shall furnish proof of financial
5 responsibility by the existence of a liability insurance
6 policy in an amount determined by the division. If an insurer
7 provides dramshop liability insurance at a new location to
8 a licensee or permittee who has a positive loss experience
9 at other locations for which such insurance is provided by
10 the insurer, and the insurer bases premium rates at the new
11 location on the negative loss history of the previous licensee
12 or permittee at that location, the insurer shall examine and
13 consider adjusting the premium for the new location not less
14 than thirty months after the insurance is issued, based on the
15 loss experience of the licensee or permittee at that location
16 during that thirty-month period of time.

EXPLANATION

18 The inclusion of this explanation does not constitute agreement with
19 the explanation's substance by the members of the general assembly.

20 This bill concerns the authority of micro-distilled spirits
21 manufacturers and makes dramshop liability insurance applicable
22 to certain native wine and micro-distilled spirits permittees.

23 Code section 123.43A, providing for a class "A"
24 micro-distilled spirits permit, is amended. The bill provides
25 that a micro-distillery may sell no more than nine liters
26 per person per day instead of the current one and one-half
27 liters per day. The bill also allows the micro-distillery to
28 sell the spirits it manufactures at wholesale to customers
29 outside the state. The bill also allows the micro-distillery
30 to sell the spirits it manufactures for consumption on the
31 premises of the manufacturing facility by applying for a new
32 class "C" micro-distilled spirits permit. The bill limits a
33 manufacturer to no more than one of the new permits. Code
34 provisions governing restrictions on transportation (123.28),
35 applications to local authorities for certain permits (123.32),

1 and records (123.33), are made applicable to the new class "C"
2 micro-distilled spirits permit.

3 New Code section 123.43B establishes the authority for a
4 class "C" micro-distilled spirits permit. The Code section
5 provides that the permit shall allow the manufacturer to sell
6 its micro-distilled spirits only at retail to patrons by the
7 individual drink for consumption on the licensed premises where
8 it was manufactured, and that the person holding the permit
9 shall purchase micro-distilled spirits it manufactures from a
10 class "E" liquor control licensee only. The annual fee for the
11 permit shall be \$250.

12 New Code section 123.43C provides for the information
13 necessary for a person to apply for a class "C" micro-distilled
14 spirits permit. The bill requires the applicant to submit
15 information regarding the applicant and the location of the
16 micro-distillery. The application shall also provide that the
17 applicant is of good moral character and that the premises for
18 which the permit is sought is authorized to sell spirits for
19 consumption on the premises by applicable zoning ordinance and
20 is of sufficient size.

21 Code section 123.92, concerning the dramshop Act, is amended
22 to provide that a class "C" native wine permittee and a class
23 "C" micro-distilled spirits permittee shall furnish proof
24 of financial responsibility by having a liability insurance
25 policy.